

SAIC Deferred Prosecution Agreement
Prepared Remarks of U.S. Attorney Preet Bharara
March 14, 2012

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

We are here today to report significant and happy news relating to our investigation of the CityTime project – a project that reflects perhaps the single largest fraud ever perpetrated on the City of New York.

When last we stood before you on this case, less than nine months ago, I made two promises to the people of New York. I said first, “We will not rest until everyone who gouged the City, or who enabled its gouging, is held accountable.” And I said second, “We will not rest until – one way or another – every penny of fraud is recovered and returned to the City.”

I can now report that, while the criminal case against eight individuals is still pending, we have now made good on our pledge to make the City whole. In short, today the people of New York City have more than a half billion reasons to celebrate.

That is because, as reflected in papers approved by a federal judge today, we have reached an agreement with the lead contractor on the CityTime project, Science Applications International Corporation, or SAIC.

As part of what is known as a deferred prosecution agreement, SAIC has agreed to pay more than \$500 million in restitution and penalties, and to forgive more than \$40 million in payments that the City would otherwise owe to SAIC arising out of the CityTime project.

This resolution is, as far as our Office is aware, the largest by dollar amount arising out of any state or local government contract fraud in history. It is also a resolution that ensures, as promised, that every penny of fraud will be returned to the City. The City is being made whole.

Before going further into the details of these actions, let me again introduce our law enforcement team. I am joined here today by our extraordinary partner in this case and so many others, Rose Gill Hearn, the Commissioner of the New York City Department of Investigation (“DOI”).

I’ve been the U.S. Attorney for 2 ½ years, and I can’t think of a case where I have been more proud of the partnership we’ve built and of the speed and thoroughness of an investigation that these professionals have conducted.

Commissioner Hearn deserves enormous amounts of credit for her leadership in uncovering graft and corruption in the City, and her dedicated staff should be applauded for helping to get us to this point.

And so let me thank the dedicated members of DOI who have worked on this matter, including:

- Assistant Deputy Commissioner John Kantor;
- Deputy Commissioner for Legal Affairs Marjorie Landa;
- First Deputy General Counsel Michael Siller;
- Associate Commissioner Yuval Hibshoosh;
- auditors Laila Yu, Maggie Xu, Calvin Lam, and Renard McDowell;
- Inspector General Chis Gretina; and
- Special Investigators Cory Pihl and Matt Befort.

In addition, I want to express my appreciation to the fine career prosecutors who have worked tirelessly on this matter and who continue to actively investigate it: Assistant U.S. Attorneys Howard Master and Andrew Goldstein – led by the Chief of our Public Corruption Unit, Brendan McGuire, and the Chief of our Asset Forfeiture Unit, Sharon Cohen Levin. I also want to thank criminal investigators from our office, Bob Ryan and Ron Gardella, who have done an outstanding job assisting this investigation in so many ways.

Every New Yorker should be pleased that these government workers serve them so well every day.

Just to give you a sense of scale, by the way, the recovery from this one case alone represents more than ten times the annual budget of this U.S. Attorney's Office.

You will also hear from Mayor Michael Bloomberg who is here in his capacity as Commissioner Hearn's boss and as the representative for the victim in this case – the City of New York. The Mayor asked to be here to thank the fine career investigators and federal prosecutors who worked so hard to get us to this point.

Now let me spend a few minutes describing today's filings.

Since announcing the first set of criminal charges less than 15 months ago, our team has forged ahead with a full-scale investigation of SAIC, interviewing dozens of witnesses and reviewing hundreds of thousands of pages of documents.

What they uncovered was a fraudsters' field day that lasted seven years.

As a result of the hard work of the people standing behind me and others, we have reached a welcome agreement with SAIC. In essence, the company has taken responsibility for the fraud of its former employees and agreed to make full amends to the City. In particular, the terms of the deferred prosecution agreement filed in federal court this morning are as follows:

- SAIC has agreed to forfeit more than half a billion dollars to the government, or to be precise, \$500,392,977;
- It has agreed, on top of that, to forgive an additional \$40 million that was invoiced, but not yet paid, in connection with the CityTime project;
- agreed to cooperate fully with authorities in connection with the pending criminal case;
- agreed to adopt a series of internal reforms, including protections for whistleblowers and installing better mechanisms for the reporting of fraud;

- agreed to the appointment of an independent monitor to ensure that this type of misconduct never happens again;
- agreed to take responsibility for not fully investigating suspicions of kickbacks and fraud dating back to 2005; and
- agreed to the filing of criminal charges in federal court, which will be dismissed only if the company complies fully with all of the terms of the agreement for at least three years.

Should SAIC fail to meet those obligations, the company itself will be prosecuted to the fullest extent of the law.

Part of the written agreement with the company is an extensive statement of responsibility. In that statement, SAIC admits significant failures of management to follow up on red flags in connection with the CityTime project.

Among other things, the company admits that its “failures resulted, in part, from an overemphasis on the financial and operational success of the CityTime project by those assigned to manage the Project, at the expense of the Company’s own ethics, human resources and procurement policies.”

In short, the investigation revealed that SAIC managers responsible for CityTime placed profit ahead of principle, time and again.

That is why we insisted that the company pay from its own pocket every penny of the massive fraud perpetrated against the City. And that is why, by the close of business tomorrow, SAIC will make a total forfeiture payment of more than a half billion dollars – which includes a restitution amount of at least \$370 million and a penalty of \$130 million. Almost all of it will go to the City of New York.

Half a billion dollars is a staggering sum, but it is a sum commensurate with the staggering scale of the crimes and misconduct we uncovered, and it is an amount that makes the City whole.

It represents essentially all of the money overpaid by the City to SAIC plus a penalty; it leaves the City with a functional web-based timekeeping system; and it enables the City to achieve this outstanding result at a time of real need for the City, without having to incur any further expense or delay in litigating this matter with SAIC or others involved in the fraud.

SAIC is a Fortune 500 company, employs 41,000 people, and generates a whopping 93% of its business from government contracts. And it has now learned a costly lesson that it never pays to put profits over ethics.

The company avoided outright indictment only because of its full cooperation with the investigation, its lack of history of similar conduct, and its commitment to making things right and making sure nothing like this ever happens again at SAIC. We hope that other corporations, and especially those who make their money from the government, learn that lesson as well.

But we also remain committed to holding the individuals involved in these crimes to account so that they are appropriately punished, and so that they do not profit from these crimes.

I should also note that on top of the \$500 million payment by SAIC and on top of the \$40 million in forgiven invoices, we have seized, frozen, or placed liens on over \$52 million in cash and properties (\$40M accounts + \$12.5M properties) controlled by the individual defendants that were linked to the schemes, and we intend to take all steps necessary to make sure that all of these defendants' ill-gotten gains are forfeited. So, the effective total recovery in this case, when all is said and done, could approach \$600 million.

In conclusion, while we may have achieved the first of our goals – making the City whole – our efforts to identify and hold to account every individual and every entity responsible for these unprecedented crimes continues. We will not consider our job done until that task is complete.

The citizens of the city of New York – the greatest city on earth – have a right to expect that they will not be brazenly defrauded. And for all of us standing here – who are not just prosecutors and investigators – but people who live and work in this great city, it is especially and personally gratifying to bring so much back to the City we love.